

CUSTOM FARMING CONTRACT TAX CREDITS

Prior Law

A custom farming contract tax credit is available for individual and corporation income taxes. The credit is available for landowners who hire a beginning farmer to do custom work, and it allows the landowner to claim 7% of the value of the contract as a tax credit. If the beginning farmer is a veteran, the credit is 8% for the first year. The credit is administered by the Iowa Finance Authority (IFA) and the Iowa Department of Revenue.

The custom farming contract between the taxpayer and the beginning farmer must be for a term of no more than 12 months. The taxpayer must pay the beginning farmer a cash payment equal to at least \$1,000.

New Provisions

The maximum length of a custom farming contract between the taxpayer and the beginning farmer is now 24 months, rather than 12 months. The taxpayer must pay the beginning farmer a cash payment of at least \$1,000 for each tax year for which the tax credit is claimed. A tax credit certificate must be obtained for each tax year for which the credit is claimed.

The taxpayer may submit a single application to IFA for either one or two years depending on the length of the custom farming contract. Additionally, either or both parties to the contract must notify IFA of any amendment or material change that affects the application or contract. IFA has the ability to require the parties to provide additional information.

Section Amended

Sections 1 and 2 of 2015 Iowa Acts House File 624 amend Section 16.81, Code 2015.

Effective Date

Retroactive to January 1, 2015, for tax years beginning on or after that date.